

# Proposed changes to IP box scheme



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## Corporate Tax, Cyprus

Following considerable opposition from some countries to IP box regimes, G20 leaders reached agreement towards the end of 2014 on a 'modified nexus' approach that allows a taxpayer to benefit from an IP regime only to the extent that it can show material relevant activity, including a clear connection between the rights which create the IP income and the activity which contributes to that income. The modified nexus approach has since been endorsed by all Organisation for Economic Cooperation and Development and G20 countries.

Under the proposal, countries with IP regimes that are incompatible with the modified nexus approach are expected to take steps to amend them. There can be no new entrants to non-compliant IP regimes after June 30 2016, but there may be transitional arrangements allowing taxpayers benefiting from existing arrangements to continue to do so until June 30 2021.

The Ministry of Finance recently announced plans to amend the Cyprus IP box regime in line with the modified nexus approach.<sup>(1)</sup> It is expected that the changes will take effect by July 1 2016. At this stage, no details have been provided regarding the proposed changes or any transitional arrangements.

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### Endnotes

(1) For further information on the Cyprus IP box regime please see "IP box – a limited opportunity".

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